

PUBLIC DISCLOSURE

JANUARY 17, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE VILLAGE BANK

CERT #26336

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**Federal Deposit Insurance Corporation
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NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **The Village Bank (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **January 17, 2012**. The agencies evaluate performance in the assessment area as defined by the institution, rather than individual branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated **"Satisfactory."**

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Lending Test

The institution is rated **"Satisfactory"** under the Lending Test. This rating is supported by the following summary of results:

Loan-to-Deposit Ratio

The loan-to-deposit ("LTD") ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 12 quarters since the prior CRA evaluation dated October 15, 2008, was 88.2 percent.

Assessment Area Concentration

A majority of the Bank's home mortgage and small business loans, by number and dollar amount, were within its designated assessment area. During 2010 and the first three quarters of 2011, 65.4 percent of the number of home mortgage loans, and 50.4 percent of the number of small business loans were made inside the assessment area.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The Bank's concentration of home mortgage loans in the area's moderate-income geographies increased from the levels of 2010 to the levels in first three quarters of 2011. Despite a declining trend in 2011, the Bank made a reasonable number and percentage of loans to small businesses within the area's moderate-income census tracts during the review period.

Borrower Characteristics

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income), and businesses of different sizes. The Bank exceeded the aggregate market in percentage of home mortgage loans to low- and moderate-income borrowers in 2010. The Bank responded to small business financing needs by making a reasonable number of loans to the assessment area's small businesses.

Response to Complaints

The Village Bank did not receive any CRA-related complaints during the period reviewed.

Community Development Test

The institution is rated "**Satisfactory**" under the Community Development Test.

The institution demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development throughout the institution's assessment area. This rating is supported by the following factors.

Community Development Loans

The Bank's community development lending activity is adequate. The Bank made two qualified community development loans totaling \$2.2 million during the evaluation period. Of particular note was a \$1.5 million loan for purposes of constructing 10 units of affordable housing in Newton.

Community Development Investments

The level of qualified investments is adequate; however, equity investments are of limited complexity. The Bank refinanced an existing loan with a tax exempt bond through Massachusetts Development (MassDevelopment) for \$2.7 million in 2009. In addition, the Bank made an equity investment in a CRA qualified investment fund during a prior evaluation period, which had a book value of \$750,000 as of December 31, 2011.

Community Development Services

The Bank provided an adequate level of community development services throughout the evaluation period, including involvement in various community development organizations, and participated in several financial literacy initiatives.

SCOPE OF EXAMINATION

This evaluation assesses The Village Bank's CRA performance utilizing the Interagency Intermediate Small Institution ("ISI") Examination Procedures, as established by the Federal Financial Institutions Examination Council. These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution's home mortgage, small business, small farm and consumer loans, as applicable, for specific years as noted. The Community Development Test is an analysis of community development activities since the previous evaluation.

The Lending Test considered the Bank's home mortgage and small business lending. The Bank is primarily a residential lender, but management increased its focus on commercial lending during the review period. The Bank's most recent Report of Condition and Income ("Call Report"), dated September 30, 2011, indicated that residential lending represented 71.7 percent and commercial lending represented 21.6 percent of the loan portfolio. Residential lending also represented the majority of loan volume during the review period. Based on this information, the Bank's performance in home mortgage lending carried more weight in arriving at overall conclusions. The Bank does not make small farm loans and has only a nominal level of consumer lending activity; thus, these product lines are not included in the evaluation.

Data reviewed includes originated home mortgage loans reported on the Bank's Loan Application Registers ("LARs") maintained pursuant to the Home Mortgage Disclosure Act ("HMDA") for full year 2010 and year-to-date ("YTD") 2011 through September 30. The LARs contain data about home purchase and home improvement loans, including refinancings, of one-to-four family and multifamily (five or more units) properties. The institution reported 150 loans totaling \$94.2 million in 2010, and 133 loans totaling \$74.5 million in YTD 2011. The Bank's 2010 home mortgage lending performance was compared against 2010 aggregate lending data. Aggregate data includes all financial institutions subject to HMDA that originated at least one home mortgage loan in the Bank's assessment area. The evaluation focused on the Bank's lending performance in 2010, as aggregate data for 2011 was not yet available.

Small business loans were also reviewed for the same time period. As an ISI, the Bank has the option of collecting and reporting small business lending data. The Bank opted to collect the data, but not to report it. Internal bank records indicated that the institution originated 75 small business loans totaling \$10.9 million in 2010, and 46 small business loans totaling \$6.4 million in YTD 2011. Narrative portions of the Lending Test also refer to small business loan data for the final three months of 2011, since the Bank had this information readily available. As the Bank is not required to report small business loan data, small business aggregate data was not used to formulate comparisons. Instead, business demographics of the assessment area were used as a means of measuring the Bank's performance.

Although the total dollar amounts of loans are discussed under the Lending Test, the evaluation is primarily based on the Bank's lending performance by the number of loans originated or purchased during the review period. Demographic information referenced in this evaluation was obtained from the 2000 United States ("US") Census unless otherwise noted. Financial data about the Bank was obtained from the September 30, 2011 Call Report.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services between October 15, 2008 and January 17, 2012.

The previous CRA evaluation by the Division and the FDIC was conducted as of October 15, 2008, using ISI Examination Procedures. The evaluation resulted in an overall "Satisfactory" CRA rating by the Division and the FDIC.

PERFORMANCE CONTEXT

Description of Institution

The Village Bank is a Massachusetts state-chartered, mutual co-operative bank headquartered in the Auburndale section of Newton, Massachusetts. In addition to its Main Office located at 307 Auburn Street in Newton, Massachusetts, the Bank operates six other full-service banking locations in Massachusetts. Five branches are located throughout different villages of Newton, while one is located in the Town of Wayland, Massachusetts. The Bank opened its newest branch in January 2009 in West Newton. All banking offices are equipped with Automated Teller Machines ("ATMs"). Of the seven office locations, four are located in upper-income census tracts and three are located in middle-income census tracts. The Bank also operates a loan center located at 319 Auburn Street in Newton, contiguous to its Main Office.

The Bank is a full-service financial institution that offers retail customers deposit products such as checking, savings, and retirement accounts, as well as home financing programs that include fixed and adjustable rate mortgage programs for the purchase, refinance, improvement, and construction of residential property. Additionally, the Bank offers consumer credit products including home equity lines of credit, home improvement loans, automobile loans, personal loans, and overdraft lines of credit.

The Village Bank offers commercial customers savings and checking accounts, investment account services, and financing options including commercial real estate loans; speculative construction loans; construction to permanent loans; overdraft lines of credit; working capital lines of credit; equipment loans; and letters of credit.

The Bank had total assets of \$686.8 million as of September 30, 2011. Assets increased approximately 9.7 percent since the prior evaluation. As of September 30, 2011, total loans stood at \$494.1 million, and represented 71.9 percent of total assets. Total loans also increased 4.4 percent during the same time period. Table 1 illustrates the distribution of the Bank's loan portfolio as of September 30, 2011.

Table 1		
Loan Portfolio Distribution as of September 30, 2011		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans
Construction and Land Development	34,790	7.0
Revolving Open-end 1-4 Family Residential	36,723	7.4
Closed-end 1-4 Family Residential First Lien	288,787	58.5
Closed-end 1-4 Family Residential Junior Lien	4,723	1.0
Multi-Family (5 or more) Residential	19,236	3.9
Total Residential Loans	384,259	77.8
Commercial Real Estate	94,189	19.0
Total Real Estate Loans	478,448	96.8
Commercial and Industrial	12,475	2.5
Other Consumer Revolving Loans	574	0.1
Closed-end Consumer Loans	2,427	0.5
Other	159	0.1
Total Loans	494,083	100.00

Source: September 30, 2011 Call Report

As depicted in Table 1, the Bank's loans are primarily concentrated in residential real estate, followed by commercial real estate. No financial or legal impediments exist that would limit or impede the Bank's ability to meet the credit needs of the delineated assessment area.

Description of Assessment Area

The CRA requires the designation of one or more assessment areas within which a financial institution's record of helping to meet the credit needs of its community will be evaluated. The Bank has one designated assessment area that conforms to CRA requirements as it consists of whole geographies, does not arbitrarily exclude low- or moderate-income areas, does not extend beyond state boundaries, and does not reflect illegal discrimination. The Bank has not changed its assessment area since the previous CRA evaluation.

Geographies

The Bank's assessment area encompasses the Cities and Towns of Newton, Waltham, Wayland, and Weston. Each of the cities and towns is located within Middlesex County and the Cambridge-Newton-Framingham, Massachusetts ("MA") Metropolitan Division ("MD") #15764.

The analysis for the Geographic Distribution section of the Lending Test is based on the distribution of loans by income level of census tract, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income ("MFI") of the tract as compared to the MFI established for the Metropolitan Statistical Area ("MSA") or MD in which the tract is located. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent but less than 80 percent of MFI

Middle-Income: At Least 80 percent but less than 120 percent of MFI

Upper-Income: 120 percent or greater of MFI

The assessment area contains 35 census tracts. There are no low-income tracts; 5 moderate-income tracts; 13 middle-income tracts; and 17 upper-income tracts. All 5 moderate-income tracts are located in Waltham.

According to 2000 US Census data, the population of the assessment area is 167,624. Of total population, 11.2 percent reside in moderate-income census tracts, 37.7 percent in middle-income census tracts, and 51.1 percent in upper-income census tracts.

Median Family Income Levels

The analysis under the Borrower Characteristics section of the Lending Test is partially based on the distribution of home mortgage loans to borrowers of different incomes, using the same four income levels defined in the previous section. The analysis utilizes income data from the 2000 US Census for the Cambridge-Newton-Framingham, MA MD that has been annually adjusted by the Department of Housing and Urban Development ("HUD") for inflation and other economic events. The estimated 2010 and 2011 MFI figures were \$98,700 and \$105,000 for the Cambridge-Newton-Framingham, MA MD. These figures were the highest among all Massachusetts MSAs and MDs for both years.

The analysis of the Bank's home mortgage lending also includes comparisons to the distribution of assessment area families by income level. Table 2 shows this distribution based on 2000 US Census data.

Table 2 Number and Percentage of Families by Income Level		
Income Category	2000 Census	
	# of Families	% of Total Families
Low-Income	5,646	14.1
Moderate-Income	5,828	14.6
Middle-Income	7,401	18.5
Upper-Income	21,062	52.8
Total	39,937	100.0

Source: 2000 US Census Data

Table 2 reveals that the majority of assessment area families are upper-income. The percentages of families that fall into the other three income categories are relatively similar, with low-income representing the smallest portion of assessment area families. This information suggests the assessment area is highly affluent.

Housing Characteristics

Table 3 illustrates various housing-related statistics other demographics of the assessment area by census tract income level.

Table 3 Selected Housing Characteristics by Income Category of the Geography							
Geography Income Level	Percentage						Median Home Value
	Census Tracts	Families	Housing Units	Owner- Occupied	Rental Units	Vacant Units	
Moderate	14.3	9.6	14.2	4.9	30.0	18.0	\$241,044
Middle	37.1	35.7	37.7	35.3	42.2	34.1	\$272,041
Upper	48.6	54.7	48.1	59.8	27.8	47.9	\$501,585
Total / Median	100.0	100.0	100.0	100.0	100.0	100.0	\$412,693

Source: 2000 US Census

Among other statistics, Table 3 depicts the distribution of owner-occupied housing units by census tract income level. Although 14.2 percent of all housing units are located in moderate-income geographies, only 4.9 percent of owner-occupied housing units in the assessment area are located in moderate-income tracts. Rental units in moderate-income tracts represent 30.0 percent of all assessment area rental units. The low percentage of owner-occupied housing units in moderate-income tracts limits the Bank's opportunity to make home mortgage loans in these areas.

The median housing value in the assessment area was \$412,693 as of the 2000 US Census. However, more recent housing data obtained from *The Warren Group* reflects higher home values during the review period. Accordingly, the 2010 median home prices for assessment area municipalities ranged from a low of \$359,000 in Waltham to a high of \$1.1 million in Weston. Through November 2011, median home prices were comparable to those averages in 2010. Table 4 illustrates median home prices for each assessment area community.

Table 4 – Median Home Sales Prices		
City or Town	2010	YTD 2011
Newton	\$610,000	\$646,000
Waltham	\$359,000	\$357,500
Wayland	\$548,750	\$550,000
Weston	\$1,084,150	\$1,062,500

Source: The Warren Group

As displayed in Table 4, home prices in the assessment area were high during the review period. Although Waltham had the most affordable median home price in the assessment area, it was still well above \$300,000 for each year. The assessment area median home prices indicate that it would have been very difficult for low- and moderate-income families to qualify for home mortgage financing.

Furthermore, additional data from *The Warren Group* shows a decreasing trend in home sales in Waltham. Home sales dropped from 802 in 2007, to 593 in 2010. Only 491 home sales in Waltham have occurred in 2011 through November. A sharp reduction in condominium sales primarily accounted for the decreasing trend. This information further highlights the difficulties for the bank to lend to low- and moderate-income families to attain homeownership in the assessment area during the review period.

Unemployment Data

Information on unemployment rates within the assessment area was obtained from the Massachusetts Executive Office of Labor and Workforce Development. The 2010 annual unemployment rates ranged from a low of 4.8 percent in Weston to a high of 6.7 percent in Waltham. While annual unemployment rates were not yet available for 2011, monthly data indicates that unemployment rates decreased in each assessment area community. Furthermore, the unemployment rates within the assessment area were lower than the unemployment rates for Middlesex County and all of Massachusetts.

Business Demographic Data

There were 15,662 non-farm businesses in the assessment area in 2010. Of total non-farm businesses, 9.0 percent were in moderate-income tracts; 40.2 percent were in middle-income tracts; and 50.8 were in upper-income tracts. In terms of revenues, 75.9 percent of businesses had gross annual revenues (GARs) of \$1.0 million or less, 5.9 percent had revenues greater than \$1.0 million, and 18.2 percent did not report GAR information.

Competition

The Village Bank operates in a highly competitive lending environment. The Bank faces competition from large national and regional banks, mortgage companies, community banks, and credit unions. Residential lending market share reports for 2010 indicate a total of 288 lenders reported 12,532 originations or purchases totaling approximately \$4.9 billion in the four cities/towns of the assessment area. The top ten home mortgage loan originators consisted of large mortgage companies and national or regional banks. These institutions accounted for 53.5 percent of the home mortgage market share in the assessment area.

Competitors operating within the Bank's assessment area include Leader Bank, Watertown Savings Bank, and Middlesex Savings Bank. According to management, Bank of America, N.A. presents significant competition within the jumbo mortgage market. Bank management also stated that large mortgage companies have a strong presence in the area's mortgage market.

The Bank also faces competition from national and local institutions for small business loans. Bank management referenced Needham Bank, Eastern Bank, and Brookline Bank as local competitors in the small business market.

Community Contacts

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of their communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was referenced in preparing this evaluation. The contact indicated that funding for programs that assist families and children in need is a pressing issue in the area. The contact stated that local financial institutions are very involved in donating, but could give further support by providing guidance and expertise to local organizations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Lending Test considers the Bank's performance pursuant to the following criteria: LTD ratio; assessment area concentration; geographic distribution of loans; lending to borrowers of different incomes and businesses of different sizes; and the Bank's record of taking action in response to CRA complaints. Overall, the Bank's performance under the Lending Test is considered "Satisfactory." This rating indicates that The Village Bank's lending performance demonstrates reasonable responsiveness to the credit needs of the assessment area

Loan-to-Deposit Ratio

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans. The Bank's LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 12 quarters since the prior CRA evaluation was 88.2 percent. The Bank's net LTD ratio as of September 30, 2011 was 83.4 percent.

Growth patterns of loans and deposits were also analyzed to assess the fluctuation in the net LTD ratio. Net loans were generally stable during the review period, with a slight decline in early 2010. Net loans increased beginning in the third quarter of 2010. Overall, net loans (total loans net of unearned income and allowance for loan losses) grew by 1.4 percent over the last 12 quarters. Total deposits generally increased throughout the review period, resulting in growth of 21.0 percent. As a result of deposit growth outpacing loan growth, the net LTD ratio decreased during the review period from 99.6 percent to 83.4 percent.

The Bank's net LTD ratio was compared to the LTD ratios of five other locally-based, similarly situated depository institutions as of September 30, 2011. The institutions selected are all headquartered in Middlesex County, have assets between \$500 million and \$850 million, and are primarily residential lenders. The Village Bank's average quarterly net LTD ratio was third highest among all six institutions. Table 5 presents this comparison.

Table 5		
Net Loan-To-Deposit Comparison		
Institution	Asset Size of as of September 30, 2011 \$(millions)	Average Net LTD Ratio 12/31/08 – 9/30/11
Central Co-operative Bank	512.6	128.7
Belmont Savings Bank	688.6	109.0
The Village Bank	686.8	88.2
Winchester Savings Bank	537.1	77.3
East Cambridge Savings Bank	816.8	77.3
The Lowell Five Cent Savings Bank	732.1	66.9

Source: September 30, 2011 Call Reports

Assessment Area Concentration

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes both residential lending and small business lending. As stated previously, more weight was placed on residential lending performance based on the composition of the Bank's loan portfolio and the volume of loans generated within each product line.

Overall, the majority of the Bank's residential and small business loans, by number of loans, were inside the designated assessment area. The following sections detail the Bank's performance under this criterion by loan type.

Residential Lending

The Bank originated a majority of home mortgage loans inside its assessment area in 2010 and YTD 2011. Table 6 portrays the Bank's record of originating home mortgage loans inside and outside the assessment area during the review period.

Table 6										
Distribution of Residential Loans Inside and Outside the Assessment Area										
Year and Loan Purpose	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	\$
2010										
Purchase	28	60.9	18	39.1	46	21,271	62.5	12,766	37.5	34,037
Home Improvement	8	66.7	4	33.3	12	5,580	81.4	1,275	18.6	6,855
Refinance	54	58.7	38	41.3	92	27,991	52.5	25,363	47.5	53,354
Subtotal	90	60.0	60	40.0	150	54,842	58.2	39,404	41.8	94,246
2011 YTD										
Purchase	33	64.7	18	35.3	51	24,854	65.7	12,971	34.3	37,825
Home Improvement	16	88.9	2	11.1	18	6,820	91.4	645	8.6	7,465
Refinance	46	71.9	18	28.1	64	21,849	74.9	7,342	25.1	29,191
Subtotal	95	71.4	38	28.6	133	53,523	71.9	20,958	28.1	74,481
Total – HMDA	185	65.4	98	34.6	283	108,365	64.2	60,362	35.8	168,727

Source: 2010 and YTD 2011 HMDA LARs

As shown in Table 6, the Bank made 65.4 percent of total loans by number and 64.2 percent by dollar amount inside the assessment area. The concentration of loans inside the assessment area increased notably from 60.0 percent in 2010 to 71.4 percent in 2011. The total volume of loans is lower in 2011; however, this is explained by data being limited to the first nine months of the year. Despite partial year data and the lower amount of total loans, the Bank still increased the number of home mortgage loans it originated in the assessment area in 2011. The increasing trend reflects positively on the Bank's performance under this criterion.

Additional analysis of home mortgage loans inside the assessment by loan purpose was also performed. Refinance loans represented the largest portion of loans within the assessment area each year. However, the Bank also increased the number of home purchase and home improvement loans in YTD 2011. For both 2010 and YTD 2011, the Bank made a majority of loans for each purpose inside the assessment area. The percentage of loans in the assessment area also increased in YTD 2011 for each loan purpose.

The Village Bank ranked 31st out of 288 HMDA-reporting lenders in the assessment area in 2010, capturing approximately 0.7 percent of the market share. The vast majority of institutions ranked higher than the Bank were mortgage companies or large national or regional banks. Only two community banks achieved a higher market share than The Village Bank. The Bank's market share is higher for home purchase loans and home improvement loans in the assessment area, capturing approximately 1.3 percent of the home purchase market and 3.2 percent of the home improvement market. The competition level was highest for refinance loans in the assessment area, and the Bank captured approximately 0.5 percent of this market among 251 institutions.

Small Business Lending

Internal small business loan data was analyzed to determine the extent of small business lending within the assessment area. A majority of small business loans, by number, were made in the assessment area during the review period. Slightly less than a majority of small business loans, by dollar amount, were made in the assessment area.

Table 7										
Distribution of Small Business Loans Inside and Outside the Assessment Area										
Year	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	\$
2010	42	56.0	33	44.0	75	6,091	55.7	4,848	44.3	10,939
YTD 2011	19	41.3	27	58.7	46	2,524	39.2	3,910	60.8	6,434
Total	61	50.4	60	49.6	121	8,615	49.6	8,758	50.4	17,373

Source: Bank Records – Small Business Data (2010, YTD 2011)

As shown in the Table 7, the Bank made 61, or 50.4 percent, of total small business loans inside the assessment area during 2010 and YTD 2011. Despite the declining trend, a majority of loans, by number, were originated inside the assessment area during the review period. By dollar amount, \$8.6 million, or 49.6 percent, were within the assessment area during 2010 and YTD 2011. The percentage by dollar amount also declined significantly during the review period. Despite the overall lower concentration of small business loans by dollar amount, greater emphasis was placed on the Bank's performance based on number of originations.

While the evaluation only considered small business lending for the first nine months of 2011, the Bank provided data for the final three months of 2011. The Village Bank made a total of 19 loans totaling \$4.1 million from October to December. Of these 19 loans, 14 (73.7 percent) were inside the assessment area. Furthermore, \$3.8 million (94.0 percent) was made inside the assessment area. Information from the final 3 months of 2011 mitigates the impact of the Bank's declining trend in YTD 2011 on overall conclusions.

Geographic Distribution

Overall, the geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. Greater emphasis was placed on the Bank's level of lending in the assessment area's moderate-income census tracts. The assessment area does not contain any low-income census tracts. The following sections discuss the Bank's performance under this criterion with regard to each product line.

Home Mortgage Lending

The distribution of the Bank's home mortgage lending reflects reasonable dispersion throughout the assessment area. Table 8 presents the Bank's home mortgage lending performance by number of loans in 2010 and YTD 2011, as well as the 2010 aggregate market data. Table 8 also includes the percentage of owner-occupied housing units for each census tract income level for comparison purposes.

Table 8 Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank YTD 2011	
		%	#	%	#	%
Moderate	4.9	6.0	3	3.3	5	5.3
Middle	35.3	33.4	34	37.8	29	30.5
Upper	59.8	60.6	53	58.9	61	64.2
Total	100.0	100.0	90	100.0	95	100.0

Source: 2010 and YTD 2011 HMDA Data, 2000 US Census Data

In 2010, the Bank's lending within the moderate-income tracts at 3.3 percent was less than aggregate lending at 6.0 percent. The Bank's performance increased in YTD 2011, with 5.3 percent of loans within the moderate-income census tracts. The number of loans in moderate-income tracts increased from 3 in 2010 to 5 in YTD 2011. The Village Bank's performance within moderate-income geographies in 2010 was less than the percentage of total owner-occupied housing units (4.9 percent). However, the Bank's performance in YTD 2011 was greater than the percentage of owner-occupied units.

The evaluation also considered the number of tracts in the assessment area in which the Bank made loans. The Bank originated at least a single loan in 26 of the 35 census tracts in both 2010 and YTD 2011. The Bank did not originate loans in 3 moderate-income tracts, 4 middle-income tracts, or 2 upper-income tracts in both years. It should be noted that institutions are not expected to lend in every census tract, and as a majority of tracts have had lending activity, this record does not present any concerns.

A review of the distribution of home mortgage loans by dollar amount did not reveal any additional information that would affect conclusions. The distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount, because the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans.

While not shown in Table 8, the distribution of the Bank's residential loans was also analyzed by loan purpose. In 2010, the Bank made 1 home purchase loan and 2 refinance loans in the moderate-income census tracts. In YTD 2011, all 5 loans in moderate-income tracts were refinance loans. Given the larger number of refinance loans in moderate-income geographies, this loan purpose had the greatest impact on the overall conclusion under this factor.

Market data for 2010 indicates that the Bank captured 0.4 percent of the market share for all home mortgage loans reported in the assessment area's moderate-income tracts. The institution ranked 47th out of 118 total lenders that made at least a single home mortgage in moderate-income census tracts of the assessment area. There were five community banks ranked ahead of The Village Bank. According to management, the lack of a branch presence amidst heavy competition in Waltham affected the Bank's ability to penetrate these moderate-income tracts. Of the five community banks ranked ahead of TVB, four have a branch or loan center in Waltham. Based on this information and the Bank's increased lending in moderate-income tracts in 2011, the institution's performance is reasonable.

Small Business Lending

The geographic distribution of the Bank's small business loans reflects reasonable dispersion throughout the assessment area.

Table 9 illustrates the Bank's small business lending activity in 2010 and YTD 2011, as well as the composition of businesses, by census tract income level.

Table 9 Distribution of Small Business Loans by Census Tract Income Level					
Census Tract Income Level	% of Businesses	Bank 2010		Bank YTD 2011	
		#	%	#	%
Moderate	9.0	9	21.4	0	0.0
Middle	40.2	17	40.5	11	57.9
Upper	50.8	16	38.1	8	42.1
Total	100.0	42	100.0	19	100.0

Source: Bank Records – Small Business Data (2010, YTD 2011); D&B 2010 Business Data

In 2010, the Bank's lending in moderate-income geographies by number (21.4 percent) is significantly greater than the percentage of businesses in moderate-income geographies (9.0 percent). The Bank's strong performance in 2010 has a positive effect on the criterion rating. However, the Bank did not make any loans in the moderate-income tracts in YTD 2011. Small business lending decreased overall from 2010 to YTD 2011. The majority of loans originated in 2011 were in middle-income tracts.

As mentioned previously, a review of small business lending during the last quarter of 2011 revealed a high percentage of loan originations were inside the assessment area. The Bank made one loan in a moderate-income geography in the final quarter of 2011. Again, the lack of a branch presence in Waltham affected the Bank's ability to penetrate the assessment area's moderate-income tracts.

Borrower Characteristics

Overall, the distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The overall conclusion is based on the reasonable distribution of home mortgage loans to low- and moderate-income individuals, and the Bank's reasonable performance in lending to businesses with GARs of \$1 million or less. The following sections discuss the Bank's performance under this criterion by loan type.

Home Mortgage Lending

The Bank's performance of home mortgage lending by borrower income level is reasonable. Borrower incomes for loans reported in 2010 and YTD 2011 were compared to MFIs for the Cambridge-Newton-Framingham, MA MD.

Table 10 shows the Bank's loans by borrower income level in 2010 and YTD 2011. Table 10 also includes the distribution of families by income level and the aggregate market data for 2010.

Table 10 Distribution of Home Mortgage Loans by Borrower Income						
Family Income Level	% Total Families	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank YTD 2011	
		%	#	%	#	%
Low	14.1	1.8	4	4.4	4	4.2
Moderate	14.6	9.3	9	10.0	8	8.4
Middle	18.5	19.4	13	14.4	22	23.2
Upper	52.8	56.8	41	45.6	41	43.2
NA	0.0	12.7	23	25.6	20	21.0
Total	100.0	100.0	90	100.0	95	100.0

Source: 2000 US Census, 2010 and YTD 2011 HMDA LAR, 2011 HMDA Aggregate Data

The Bank originated 4.4 percent and 4.2 percent of home mortgages to low-income borrowers in 2010 and YTD 2011, respectively. The Bank's performance in 2010 exceeded aggregate data at 1.8 percent. Although the Bank's percentage of loans to low-income borrowers was less than the 14.1 percent of low-income families, a significant portion of these families would likely not qualify for a home mortgage loan. As mentioned previously, high home prices within the assessment area also limited opportunities for the Bank to lend to low-income borrowers.

The Bank originated 10.0 percent and 8.4 percent of its loans to moderate-income borrowers in 2010 and YTD 2011, respectively. The Bank's percentage in 2010 was slightly above the aggregate performance of 9.3 percent. The Bank's lending to moderate-income borrowers in 2010 and YTD 2011 was less than the percentage of moderate-income families (14.6 percent) in the assessment area; however, this performance is reasonable considering the high housing values in the assessment area.

The Bank's residential loans were also analyzed by purpose. In 2010, a significant majority of loans to both low- and moderate-income borrowers were refinance loans. In YTD 2011, all loans to low-income borrowers were refinance loans; however, three out of the eight loans to moderate-income borrowers were home purchase loans. Review by loan purpose did not reveal any patterns that would yield different conclusions under this performance factor.

The 2010 market rank reports indicated that the Bank ranked 12th out of 70 lenders that made at least one home mortgage to a low-income borrower in the assessment area, with a market share of 1.7 percent. The Village Bank's market share among loans to low-income borrowers was greater than its overall market share of 0.7 percent in 2010. Additionally, the Bank ranked 28th out of 126 institutions in lending to moderate-income borrowers, with a market share of 0.8 percent. Again, this market share slightly exceeded the Bank's overall market share in the assessment area. Market share data reflects positively on the institution's performance pursuant to this criterion.

Small Business Lending

The distribution of the Bank's small business loans by GAR level and loan size is reasonable. Table 11 illustrates the Bank's small business loans, as well as business composition, in the assessment area by GAR level.

Table 11					
Distribution of Small Business Loans by Gross Annual Revenue Level					
GAR \$(000s)	% of Total Businesses	Bank 2010		Bank YTD 2011	
		#	%	#	%
≤ \$1,000	75.9	35	83.3	16	84.2
> \$1,000 or N/A	24.1	7	16.7	3	15.8
Total	100.0	42	100.0	19	100.0

Source: Bank Records – Small Business Data (2010, YTD 2011); D&B 2010 Business Data

In 2010, the Bank extended 35, or 83.3 percent, of its small business loans to businesses with GARs of \$1 million or less. This performance exceeds the percentage of total businesses within the assessment area with GARs of \$1 million or less (75.9 percent). The Bank's performance was similar by percentage in YTD 2011, with 84.2 percent of its small business loans made to businesses with GARs of \$1 million or less. The review of small business lending during the final quarter of 2011 revealed that 64.3 percent of loans were made to businesses with GARs of \$1 million or less.

The Bank's small business loans to businesses with GARs of \$1 million or less were further analyzed by loan amount at origination. This analysis is based on the supposition that loans of smaller amounts are most likely made to very small businesses. Thus, it is viewed favorably when banks have a high percentage of loans made in amounts of less than \$100,000. Table 12 illustrates the Bank's small business loans to businesses with GARs of \$1 million or less, stratified by loan amount ranges.

Table 12				
Distribution of Small Business Loans by Loan Size				
Loan Amount \$(000s)	Bank 2010		Bank YTD 2011	
	#	%	#	%
< \$100	25	71.4	13	81.3
≥\$100 < \$250	1	2.9	2	12.5
≥\$250 ≤ \$1,000	9	25.7	1	6.2
Total	35	100.0	16	100.0

Source: Bank Records – Small Business Data (2010, YTD 2011)

As Table 12 indicates, 71.4 percent and 81.3 percent of the Bank's loans to small businesses in the assessment area in 2010 and YTD 2011, respectively, were for amounts less than \$100,000. These percentages demonstrate the Bank was committed to meeting the credit needs of small businesses in the assessment area. The review of loans to small businesses for the final quarter of 2011 revealed a decrease in the percentage of loans for amounts less than \$100,000. The Bank's record of extending small loans to businesses reflects reasonable performance in meeting the credit needs of small businesses in the Bank's assessment area.

Response to CRA Complaints

The Bank did not receive any CRA-related complaints during the evaluation period. It was noted that the Bank maintains adequate procedures to handle all incoming complaints, including those relating to its CRA performance.

COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates the Bank's community development loans, investments, and services. Unless otherwise noted, the evaluation encompasses all applicable activities between October 15, 2008 and January 17, 2012. The Bank's Community Development Test performance is "Satisfactory."

The Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. This conclusion considers the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Loans

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing small businesses or small farms; or activities that revitalize or stabilize low- and moderate-income geographies. Furthermore, the loan must benefit the Bank's assessment area or a broader statewide area that also includes the assessment area. Loans required to be reported as home mortgage loans or small business loans cannot also be reported as community development loans unless the loan is for a multifamily dwelling (five or more units), meets a community development definition, and benefits the Bank's assessment area or a broader statewide area that includes the assessment area.

During the prior evaluation period, the Bank originated 11 community development loans totaling \$615,000, representing 0.2 percent of net loans at that time. The bank made two community development loans totaling approximately \$2.2 million during the evaluation period. This total represents 0.4 percent of net loans as of September 30, 2011. Each of these loans had a primary purpose of providing affordable housing for low- or moderate-income individuals.

In 2009, the Bank provided interim financing of \$666,300 to a local non-profit organization for the purchase of a home to be used for two affordable housing units for veteran families in need. In addition, the Bank further aided the organization by acting as the member bank in the application for a \$50,000 grant from the Federal Home Loan Bank of Boston.

In 2010, the Bank originated a \$1.5 million loan for the construction of a ten-unit affordable housing community. Six units are available to households with income levels at or below 80 percent of area median income (AMI), including one unit that is handicap accessible. The remaining four units are also designated as affordable, and are available to households at or below 100 percent of AMI. It is important to note that the project is consistent with the City's plans regarding the development of affordable housing in Newton, and AMI levels are lower when compared to MFI figures.

Community Development Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. This portion of the Community Development Test evaluates overall investment and grant activity and the responsiveness to credit and community development needs of the area considering the level of opportunity that exists throughout the assessment area.

The level of the Bank's community development investments is adequate. Total qualified investments for this evaluation period amounted to approximately \$3.7 million. This total includes a new investment, the book value of prior period investments, and qualified donations made during the evaluation period. The Bank's qualified community development investments are detailed below.

Qualified Equity Investments

The Bank refinanced an existing loan in 2009 with a tax-exempt bond through MassDevelopment. The \$2.7 million bond was granted to a non-profit organization that provides affordable housing and assistance to elders, and supports cultural enrichment and community connections. The book value of this bond was approximately \$2.5 million as of December 31, 2011.

The Bank also holds an equity investment in the Community Capital Management CRA Qualified Investment Fund (Fund). The Bank made this investment prior to the evaluation period. The Fund accumulates money from numerous financial institutions and reinvests it into other qualified CRA investments. The book value as of December 31, 2011 was \$750,000. Community Capital Management is a registered investment advisor to the CRA Qualified Investment Fund. A portion of the Bank's investments were in three different FNMA loan pools and one GNMA pool, the underlying security of which were loans to moderate-income borrowers in Waltham.

Qualified Charitable Donations

The Bank extended \$264,106 in qualified contributions to several organizations during the review period. Organizations that benefited from the Bank's financial support included those that provide education, training, affordable housing, youth programs, and health and human services for individuals in need.

Qualified contributions were further broken down by year. The Bank donated \$1,950 in 2008 (October 17 to December 31); \$88,973 in 2009; \$82,933 in 2010; and \$90,250 in 2011. This level of grant activity represented approximately 2.3 percent and 1.5 percent of the Bank's pre-tax net operating income in 2010 and 2011, respectively. The following list details some of the organizations that have benefited from the Bank's contributions.

Consumer Credit Counseling Services (CCCS) – This non-profit organization provides education and counseling to families and individuals, particularly those experiencing financial hardship. CCCS offers services including seminars on budgeting, money management, and credit histories.

Springwell Money Management – Springwell's Money Management Program is a financial services program that assists older and disabled individuals who have difficulty managing their personal household budgets, paying bills, keeping track of banking records, intervening with creditors and handling other issues related to personal finances. The program is targeted to low-income individuals.

Waltham Alliance to Create Housing (WATCH) – WATCH is a non-profit community development corporation in Waltham. The organization's mission is to build, preserve, and promote affordable housing and to enhance economic opportunities, civic participation, and leadership for low- and moderate-income families in the Waltham area.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. The Bank's community development services are described below.

Involvement in Community Organizations

John M. Barry Boys & Girls Club of Newton – This is a non-profit youth organization providing educational, social, and athletic programs to all children, regardless of their ability to pay membership dues or fees for particular programs. A Senior Vice President of the Bank served as the Director of this organization during the review period.

Newton Fair Housing Committee – The committee's mission is to promote and support the City of Newton's efforts to be a diverse and welcoming community with housing choices and opportunities free from housing discrimination. The committee aims to assure that policies and practices relating to fair housing are interwoven into the operations and activities of the City as well as the fabric of the community. The committee's mission also includes the promotion of affordable housing. An Assistant Vice President serves as Vice Chair of this committee.

Springwell Money Management – As indicated previously, this organization provides money management services targeted toward elderly, low-income individuals. A Branch Manager for the Bank serves on the Advisory Board for this organization's Money Management Program.

Chambers of Commerce – Many of the Bank's executives and employees serve on the Chambers of Commerce in Newton and Wayland. These organizations were established to promote local businesses and economic development. Many of the Bank's employees hold leadership positions in these organizations such as Treasurer, Secretary, and Board members.

Educational Seminars and Other Services

First-Time Home Buyer Programs

The Bank worked with the Newton Housing and Community Development Program in designing the Newton First-Time Home Buyers Program. This program makes funds available to low- and moderate-income households to purchase homes in Newton. Funding for this program is provided by the Newton Community Development Block Grant. This money provides gap financing, which gives first-time home buyers additional purchasing power.

The Bank hosted first-time home buyer seminars that include speakers from the legal field, real estate firms, home inspection companies, appraisal firms, and representatives from the local housing authority. Bank personnel provided information and background on the pre-application process, and application and underwriting processes. The seminars conducted during the evaluation period were held in September 2010.

Financial Literacy

The Bank conducted a seven-week financial literacy program for victims of domestic abuse that took place in 2009 and 2011. Additionally, the Bank participates in the Financial Education Program at Newton North High School. This is a 10-course session that is part of the school's curriculum.

Homelessness Consortium

The Bank participates in the Brookline-Newton-Watertown Homelessness Consortium. The purpose of the Consortium is to strengthen the continuum of care service delivery systems for homeless individuals.

Basic Banking for Massachusetts

The Bank offers low-cost checking and savings accounts that meet the guidelines established by the Massachusetts Community and Banking Council for addressing identified needs for low-cost bank products and services.

APPENDIX A

DIVISION OF BANKS Fair Lending Policies and Practices

The Bank's compliance with fair lending laws and regulations was examined. No indication of discriminatory or other illegal credit practices inconsistent with helping to meet community and assessment area credit needs were identified during the evaluation.

The Bank did not receive any fair lending-related complaints. The Bank maintains adequate procedures for handling such complaints as needed. Overall, the institution's fair lending policies, procedures, training programs, and internal assessment efforts were deemed satisfactory.

Minority Application Flow

The purpose of the minority application flow is to assess the number of HMDA-reportable applications the Bank received from minorities within their delineated assessment area. The data analyzed was obtained from the Bank's HMDA LAR for 2010 and year-to-date 2011. In addition, the 2010 HMDA LAR aggregate data was analyzed in order to measure the Bank's performance relative to all other lenders within the assessment area. The Bank's minority application flow for this period was also compared with the racial and ethnic population of the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

MINORITY APPLICATION FLOW								
RACE	Bank 2010		2010 Aggregate Data		Bank YTD 2011		Bank TOTAL	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	18	0.1	0	0.0	0	0.0
<i>Asian</i>	0	0.0	1,595	10.2	5	3.9	5	2.1
<i>Black/ African American</i>	1	0.9	87	0.6	0	0.0	1	0.4
<i>Hawaiian/Pac Isl.</i>	0	0.0	10	0.1	0	0.0	0	0.0
<i>2 or more Minority</i>	0	0.0	2	0.0	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	4	3.5	287	1.8	3	2.4	7	2.9
Total Minority	5	4.4	1,999	12.8	8	6.3	13	5.4
<i>White</i>	90	79.7	10,182	65.2	98	77.2	188	78.3
<i>Race Not Available</i>	18	15.9	3,431	22.0	21	16.5	39	16.3
Total	113	100.0	15,612	100.0	127	100.0	240	100.0
ETHNICITY								
<i>Hispanic or Latino</i>	1	0.9	194	1.3	1	0.8	2	0.8
<i>Not Hispanic or Latino</i>	92	81.4	11,850	75.9	100	78.7	192	80.0
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	2	1.8	130	0.8	4	3.2	6	2.5
<i>Ethnicity Not Available</i>	18	15.9	3,438	22.0	22	17.3	40	16.7
Total	113	100.0	15,612	100.0	127	100.0	240	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area, and the 2010 aggregate data for all other HMDA reporters within the assessment area. According to 2000 Census Data, the Bank's assessment area contained a total population of 167,624 individuals, 16.1 percent of which is representative of

various racial and ethnic minorities. The breakout of the assessment areas minority population is as follows: 4.5 percent Hispanic, 2.7 percent Black, 7.3 percent Asian, 0.1 percent American Indian/ Alaska Native and 1.5 percent "other race".

The percentage of applications the Bank received from minority individuals was below the minority composition of the assessment area for both years, and below the aggregate level of loan applications in 2010. However, from 2010 to 2011, the Bank increased its proportion of minority applications from 4.4 to 6.3 percent. Regarding ethnicity, the Bank's 2010 performance was slightly below the aggregate's percentage of Hispanic or Latino applications.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (“HUD”) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income. These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 307 Auburn Street, Auburndale, MA 02466."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.